

**MINUTES
FOR THE REGULAR MEETING
CALIFORNIA UNEMPLOYMENT INSURANCE APPEALS BOARD
Docket No. 5470**

1. Opening of Meeting:

The Appeals Board convened at 10:30, June 14, 2006 in Sacramento, with Vice Chair Ann M. Richardson presiding.

2. Roll Call: Members

Present

Absent

Ann Richardson, Vice Chair
Virginia Strom-Martin
Jack Cox
Don Novey
Terri Carbaugh

X
X
X
X
X

3. Approval of the Minutes:

The May 24, 2006 minutes were approved by all members after one minor correction on page one, changing the monetary reference from 7.5 million to 7.5 billion as the amount of additional California revenue reported.

4. Board Member Reports:

Vice Chair Richardson reported that at her meeting with the Labor Agency Secretary yesterday the Secretary expressed real concern about the issue of identity theft and stolen data from computers, and as a government agency we should ensure that sensitive information stored on laptops or blackberries is encrypted and otherwise made secure.

IT Manager Nick Dressler stated that the CUIAB already has a plan in place to have all of our portable devices encrypted by August 1, 2006.

Executive Director/Chief Administrative Law Judge Jay Arcellana affirmed that staff has been meeting on this issue, and IT Division is currently in the process of installing the encryption software.

Vice Chair Richardson responded by saying that we should let the Labor Agency know we are already addressing the issue.

Vice Chair Richardson additionally reported that the case the Board considered for takeover last month has been appealed by the claimant.

Board Member Strom-Martin reported on a recent case where the claimant was denied benefits because he did not update his resume on the CAL JOBS website, and her concern is that the EDD claimant handbook may not be clear regarding a claimant's obligation in this regard. Board Member Strom-Martin stated that Hugh Harrison was recommended to her as a contact person to have dialogue with EDD about this issue.

Hugh Harrison stated he meets with EDD quarterly and would be happy to look into the issue and report back to the board.

Board Member Strom-Martin also reported that she distributed an interesting article to the other Board Member's and Appellate judges concerning how we treat families, and working women in particular, in the United States.

Member Carbaugh stated that she is happy to be on the Board, and that she is looking forward to working with the other Board members and agency staff.

5. Chief Administrative Law Judge/Executive Director's Report:

Executive Director/Chief Administrative Law Judge Jay Arcellana extended a warm welcome to Board Member Carbaugh on behalf of Field Operations and Senior Staff.

Executive Director/Chief Administrative Law Judge Jay Arcellana thanked the Board and the entire agency for all of the cards and well wishes during his recovery from back surgery. He stated it was overwhelmingly wonderful and he is very appreciative. He went on to say that he would be responding individually, but it may take a while. Executive Director/Chief Administrative Law Judge Jay Arcellana also stated that he will resume his weekly report to the board members.

Executive Director/Chief Administrative Law Judge Jay Arcellana reported that the National Conference for the National Association of Unemployment Insurance Appellate Boards will be held next week in San Diego. Attendance looks like it is going to be good, and the California staff is working very hard to be ready.

Executive Director/Chief Administrative Law Judge Jay Arcellana reported that he too had a meeting with an Agency representative yesterday, Bob Dresser. He came by the CUIAB as part of his quarterly visits. Chief Counsel Ralph Hilton and Hugh Harrison sat in to discuss workload, budget, and legal issues. Most of the items were informational in nature; there were no problems that needed to be addressed. Bob did ask specifically about the grievance CASE has filed.

At the local level Executive Director/Chief Administrative Law Judge Jay Arcellana reported that the Pasadena Office has finished its remodel and it looks wonderful. There is more security for support staff and the layout is much better. Given the cost of increasing leases, we were able to make this remodel in a very feasible fashion.

Continuing to report on field matters, our Tax Unit met with EDD's Tax Branch staff with the objective of tightening up on procedures so that the Department is more responsive when filling the answers to petitions. The Department was very cooperative and the PJ of the Tax Unit, Madlyn Hilton, should be commended because she has maintained on-going discussions with EDD, so we are starting to see some real results from that dialogue, including the liquidation of more tax cases than ever before.

Executive Director/Chief Administrative Law Judge Jay Arcellana reported that he will provide the quarterly workload report next month, and provide a handout to the Board Members on the May workload numbers.

PALJ Hugh Harrison reported that over the last few months verifications have exceeded dispositions in the field by about 4000. Verifications are up 23%. One reason for this is that January and February are usually very light months. The last three years in particular have been light at that time of year. Even if you compare the verifications to the same three months of last year, 2005, they are up by 6%. In fact, verifications have been higher so far every month this year. It looks similar to the trend that the CUIAB had experienced in 2001 to 2004 with the spike in registrations, in 2005 it fell and now they are starting to see it go back up but not dramatically. Dispositions are up about 2% over the previous three months and up 11% over the same three months last year. Because there was a deficit in terms of dispositions to verifications for the last three months, the open balance is now the highest so far this calendar year. That will change in June but May, it is the reality. What we do in the mid month is look at the following month because by that time, cases have been calendared half way through that month. So there really isn't that much of a change between May and June even though there was a large influx of cases. Hugh Harrison stated that what is interesting in going from the quarterly report to the monthly report because April is a very small month and what is really driving these figures is May. There were more new appeals in the field last month than there have been in two years. One reason is that there are more work days in May so production goes up. Another reason is that some of the offices have been chronically behind in verifications and they have done a very good job in May on catching up with their verifications. So the number of new appeals they show went through the roof. They were not necessarily new appeals sent over by EDD but rather ones they hadn't verified yet. Nonetheless, there were more than 24,000 verifications in the field. Dispositions also jumped in May and again that is because there were more days in May. There should be a big uptake in June and that is because we are trying to close out this fiscal year with a bang so it will be interesting to see what those numbers look like.

Hugh Harrison also reported that pending appeals for disability, rulings, and tax assessments were all the lowest they have ever been. There are less than 2000 open tax cases currently, the first time that has happened since anyone can remember. This is the tenth straight month in which dispositions have been higher than verifications, so Madlyn Hilton needs to be commended on all of her hard work. Bob Dresser was also very happy to hear that.

Vice Chair Richardson interjected that this is some good news that Agency would like to hear.

Executive Director/Chief Administrative Law Judge Jay Arcellana commented that the case load increase in June should increase verifications, so heading into the summer months the agency should be in good shape. The numbers in June and July will drive decisions on whether or not to hire more judges and on the caseload numbers. For all intents and purposes as we head into the summer months and anticipate vacations, the field looks to be in good shape and on top of everything.

6. Branch Reports:

- a. Executive Director/Chief Administrative Law Judge Jay Arcellana and Hugh Harrison presented a PowerPoint presentation on the CUIAB's budget. (Attachment A)
- b. Deputy Chief ALJ, Appellate Operations, Steve Angelides reported on behalf of Appellate Operations (AO) and the Central Transcription Unit (CTU), welcoming new Board Member Terri Carbaugh.

Deputy Chief ALJ Angelides reported that May was another average month for this calendar year in Appellate Operations, with one exception. Registrations were 1,334, 98% of average. Dispositions were 1,324, 91% of average. The balance of open cases at the end of the month was 2,421, 102% of average. The average case age was 42 days, 99% of average, and the median case age was 38 days, 96% of average. As mentioned last month, it is important to view the current averages in the context that our registrations and dispositions this calendar year are averaging about 15% less than last year, and our ALJ resources are about 12% less than last year.

Deputy Chief ALJ Angelides reported that the one factor that was not average was that they were unable to use their retired judges for most of April and May, so they did not have the ability to respond quickly to the spike in registrations in March, which resulted in a spike in cases ready for assignment in April and May. Fortunately we are currently able to use our retired judges, so the number of cases ready for assignment is returning to normal as we produce more decisions. AO is currently borrowing typists from CTU to help keep the decisions flowing.

In May AO trained three judges from field operations, Betsy Temple from FOHQ, and Carol Larsen and Linda Bytof from Oakland. The training was successful and all three of these judges are now trained to be loaned to AO. Deputy Chief ALJ Angelides offered many thanks to their trainer ALJ Nancy Kirk. ALJ Bytof has already volunteered to help for four weeks, and ALJ Larsen has volunteered to help for three weeks this summer. This will help cover ALJ vacations, since there are a larger number of vacations planned than usual because several AO judges are being required to use their excess vacation hours this year.

Deputy Chief ALJ Angelides also reported that earlier this month he filled in for the PALJ of Oakland for a day, and next week he will be filling in for the PALJ of Oakland for three days while she attends the NAUIAB conference. He stated it is a pleasure to be able to help out occasionally in his former office.

Deputy Chief ALJ Angelides also mentioned that the JB Start International tax case is scheduled for oral argument on July 11 at 1:00 p.m. It had previously been scheduled for oral argument several months ago but was taken off calendar for settlement negotiations. The case did not settle so it is back on calendar next month for oral argument.

Finally, Deputy Chief ALJ Angelides reported that on the social scene they are having a picnic on July 20 in honor of the retirement of ALJ Mike Canar, and all are invited.

- c. Executive Director/Chief Administrative Law Judge Jay Arcellana reported for Deputy Director, Administrative Services Branch, Pam Boston who was on vacation. All of Ms. Boston's divisions, and the Business Services Section in particular, are working very hard because they are the ones who have to get all of the contracts through and get the accounting stuff done at the end of the fiscal year. So, while Pam is on vacation, her staff is working very hard.
- d. Deputy Director, Planning and Program Management Branch Mary Walton-Simons reported that the Planning and Program Management Branch also welcomed new Board Member Terri Carbaugh to the CUIAB.

Deputy Director Walton-Simons reported that the National Association of Unemployment Insurance Appellate Boards, in conjunction with the U.S. Department of Labor and the Planning and Program Management Staff, have been working hard to prepare for the conference. P&PM managers are serving as moderators and panelists at the conference. This is a great opportunity to showcase our agency's accomplishments and processes, such as digital recording of hearings, centralized and regionalized intake, scheduling and decision processing, customer satisfaction surveys, privacy laws and providing information to the public, and the appeals workload from intake through decision processing.

Deputy Director Walton-Simons also reported that the Inglewood and Fresno offices of appeals are continuing to receive support from the Planning and Program Management Branch. Deputy Director Walton-Simons recognized Martha Diaz, Ralyne Long, Joyce Bernatzke, Rosemarie Pineda and Anissa Michell who are assisting the Inglewood Office of Appeals, and Mirella Vazquez who has been assisting in the Fresno Office of Appeals.

Deputy Director Walton-Simons further reported that a memorandum has gone out regarding the travel with Southwest Airlines. Effective July 1, 2006,

Southwest will no longer provide contracted airline fares through Sac Travel. This means that every state employee, not just EDD and CUIAB employees will be required to go online with Southwest Airlines to make reservations. The online site is called SWABIZ, which stands for Southwest Airlines Business Information. We will need an account number before any reservations can be made. There is no cost to the State. One of the unknowns at this point is how reservation changes and cancellations will be treated.

Vice Chair Richardson inquired if any other states have started using digital recording, to which Deputy Director Walton-Simons advised that Pennsylvania, Oregon and Ohio do so. Those states will all be represented on the digital panel at the NAUIAB conference.

7. Chief Counsel's Report:

Chief Counsel Ralph Hilton stated that his workload and litigation reports are in the Board Member packets. The workload report reflects that the Board Members caseloads continue to be high, almost 500 cases each last month for each Board Member.

Chief Counsel Ralph Hilton reported on the litigation front that there are currently 129 cases pending. Three new cases were filed last month and three were closed. An interesting development in the court cases is that one of the rate manipulation cases has been taken to court by the petitioner, the Benedict Canyon case.

Chief Counsel Ralph Hilton addressed Member Novey's previously-expressed concern regarding Attorney General costs, stating that the Attorney General's office charges around \$150 per hour, while the CUIAB pays from \$400-\$500 per hour when it has to contract out in conflict of interest cases. We try to handle those cases in house whenever possible to avoid paying such a high rate.

Lastly, Chief Counsel Ralph Hilton reported that CASE has filed both an unfair labor practice charge and a grievance with regard to the case load increase. This was the five week increase begun at the end of May.

8. Unfinished & New Business:

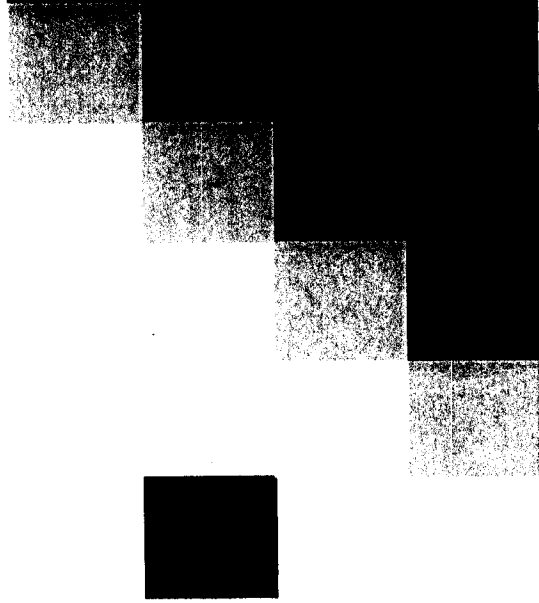
There was no unfinished or new business to be discussed at the June Board Meeting.

9. Public Comment:

There was no public comment.

10. Closed Session:

The regularly scheduled Board meeting adjourned, and the Board went into closed session.



Budget Report State Fiscal Year 2006-07

June 14, 2006

Next Year's Budget 2006-07

■ Positions	618.4 PYs
(523 Permanent / 95.4 Temporary Help)	
■ Salaries/Wages	\$40,647,486
■ Benefits	\$15,072,088
■ <u>OE&E</u>	<u>\$14,293,428</u>
■ TOTAL	\$70,013,002

Position Allocations

POSITIONS	Perm	Temp	Total
Executive Office	20.0	2.3	22.3
Field Operations	378.0	72.2	450.2
Appellate Operations & CTU	49.0	14.0	63.0
Administrative Services	29.0	4.0	33.0
Information Technology	24.0	1.8	25.8
Planning & Program Mgmt.	23.0	1.2	24.2
TOTAL	523.0	95.4	618.4

Salary/Wages Allocations

PERSONNEL DOLLARS	PS %	Perm	Temp	Total
Executive Office	4.1%	1,576,087	100,922	1,677,009
Field Operations	76.8%	27,570,439	3,630,973	31,201,412
Appellate Operations/CTU	8.9%	3,133,310	471,055	3,604,365
Administrative Services	3.6%	1,380,084	101,447	1,481,531
Information Technology	3.6%	1,411,725	42,056	1,453,781
Planning & Program Mgmt.	3.0%	1,194,086	35,302	1,229,388
TOTAL		36,265,731	4,381,755	40,647,486

Operating Expenses & Equipment Allocations

OE&E DOLLARS	TOTAL
Executive Office	531,587
Field Operations	9,415,114
Appellate Operations & CTU	171,027
Administrative Services	2,857,784
Information Technology	1,050,954
Planning & Program Mgmt.	266,962
TOTAL	\$ 14,293,428

OE&E

Expense Categories by Branch

Branch Expense Category	AO	P&PM	Exec	IT	Admin	Field	TOTAL \$
Facility Leases, Repairs, Utilities, Janitorial, Planning	3,000	15,000	0	0	2,119,726	6,335,178	8,472,904
Interpreter Services	4,250	1,950	0	0	0	1,320,000	1,326,200
Equipment, Furniture Purchases	49,078	41,312	0	477,156	39,319	379,689	986,554
Travel	14,683	120,000	91,600	33,000	30,000	506,300	795,583
Telephone Service	18,500	6,700	23,750	176,600	8,100	321,500	555,150
Equipment Rent, Maint., Repair	11,001	11,125	1,710	260,280	16,292	134,358	434,766
SWCAP	0	0	0	0	398,571	0	398,571
Attorney General Services	0	0	366,700	0	0	0	366,700

continued

OE&E

Expense Categories by Branch

Branch Expense Category	AO	P&PM	Exec	IT	Admin	Field	TOTAL \$
Supplies	22,000	18,000	11,000	11,000	17,500	250,000	329,500
Misc. Expenses, Subscriptions, Memberships	36,400	35,630	12,027	5,975	23,392	74,328	187,752
Professional Service Contracts	500	870	2,750	15,600	119,884	27,700	167,304
Training	4,500	16,375	4,000	67,543	10,000	10,000	112,418
Postage, Transport, Freight	7,115	0	50	3,800	60,000	32,400	103,365
CHP & Security Services	0	0	0	0	15,000	23,661	38,661
Court Costs	0	0	18,000	0	0	0	18,000
TOTAL	214,678	312,637	530,074	1,332,809	3,017,352	8,331,500	14,293,428

Branch Total Allocations

	P/Ys	Salaries	Benefits	OE&E	TOTAL
Executive Office	22.3	1,677,009	621,835	531,587	2,830,431
Field Operations	450.2	31,201,412	11,569,484	9,415,114	52,186,010
Appellate Operations/CTU	63.0	3,604,365	1,336,499	171,027	5,111,891
Administrative Services	33.0	1,481,531	549,352	2,857,784	4,888,167
Information Technology	25.8	1,453,781	539,062	1,050,954	3,043,797
Planning & Program Mgmt.	24.2	1,229,388	455,857	266,962	1,952,207
TOTAL PS / PB / OE&E	618.4	40,647,486	15,072,088	14,293,428	70,012,502

Budget Reserves

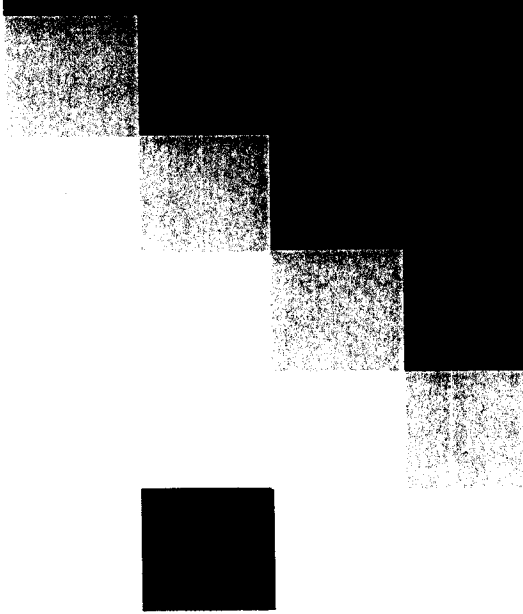
- Additionally, through the Budget Call Letter process the BAC requires each branch to identify and set aside 10% of their approved OE&E Call Letter requests
- This is held in reserve until after the 2nd quarter.

Earnings per Disposition

- Earnings per disposition
 - UI \$ 126
 - DI \$ 194
 - Tax \$ 182
 - Rulings 22.5 PYs \$ 137
- Per funding agreement with EDD
 - Amounts determined by formula

Cost per Disposition

- There is no way to determine the actual cost per disposition
 - Use of mass calendars
 - Retirees cost less than fulltime ALJs per disposition
 - ALJ IIs produce more dispositions reducing the cost factor
 - Method of issuing ruling dispositions
 - Some facilities are cost free
 - Recent increase of page count for decision typists
 - Some PALJs hear cases on a regular basis, others do not
 - Variables are unlimited



Budget Report State Fiscal Year 2005-06

June 14, 2006

Governor's 2005-06 Budget

Base Budget	PYs	Salaries	Benefits	OE&E	TOTAL
July 1, 2005	777.0	47,550,483	15,263,705	8,343,834	71,158,022
5% Salary Savings		-2,347,309	-753,486		-3,100,795
Adjusted Total	777.0	45,203,174	14,510,219	8,343,834	68,057,227

Paid Family Leave Program

Base Budget	PYs	Salaries	Benefits	OE&E	TOTAL
July 1, 2005	777.0	45,203,174	14,510,219	8,343,834	68,057,227
Unrealized PFL Earnings		-921,635	-302,352	-192,379	-1,416,366
Adjusted Total	777.0	44,281,540	14,207,867	8,151,455	66,640,861

*Budget is inflated by as much as \$1.4 million dollars because of uncertainty of earnings from the Paid Family Leave program

October 2005 Revise

Adjusted Budget	PYs	Salaries	Benefits	OE&E	TOTAL
	777.0	44,281,540	14,207,867	8,151,455	66,640,861
October 05 Revise	-9.0	-593,500	-190,514	-183,500	-967,514
Adjusted Total	768.0	43,688,040	14,017,353	7,967,955	65,673,347

2nd Quarter Budget Adjustments

October, November, December 05

- Based Upon October 2005 Revise which projected a drop in workload and earnings
 - Freeze on hiring
 - Curtailed travel
 - Suspend Annual Support Staff Conference
 - Plans being prepared to review all controllable cost items
- Rolled out digital recording
- Committed to long term leases in some facilities
- Regional training for ALJs

3rd Quarter Budget Adjustments

January, February, March 06

- Actual drop in workload exceeded projections
 - Reduced working retired annuitant ALJs because of drop in workload
 - Reviewed policies on outstation leases
 - Froze all controllable OE&E cost items
 - 1/3 PC replacement
 - Copy machines
 - Supply purchases

- Assembly Bill 146 begins actual progression in the Senate Committee on March 27, 2006
 - BAC Committee meets March 28 – 29 to consider agency needs for fiscal year 2006-07 and begins research of the budgetary impact of AB 146

Impact of ALJ Retroactive Pay Raise

Adjusted Budget	PYs	Salaries	Benefits	OE&E	TOTAL
	768.0	43,688,040	14,017,353	7,967,955	65,673,347
ALJ Salary and Benefits		+500,000	+200,500		+700,500
Adjusted Total	768.0	44,188,040	14,217,853	7,967,955	66,373,847

•We need to make up \$700,500

4th Quarter Budget Adjustments

April, May, June 06

- Stop usage of RA support staff \$ 32,000
- Resumed working RA ALJs \$ 55,000
- Emphasis on calendaring all UI cases \$300,000
- Increased caseload assignments \$190,000
- Projected surplus \$118,000
- Deferred training to next fiscal year
- Deferred completion of digital rollout

Basis for Delaying the Decision to Increase Caseload Until the 4th Quarter

- We did not wish to leave a surplus on the table at the end of the fiscal year
 - Spending decisions need to be made mid April to provide enough time to process acquisitions otherwise money is lost
- We were committed to long term projects intended to better the Agency in years to come
 - Long term leases
 - Digital recording
 - Encryption requirements
- Unfair to Judges and Support Staff to increase caseload based upon the uncertainty of the ALJ pay raise
- Implementation of a caseload increase is always a last resort because of impact to Support Staff and ALJs

Final Outcome For Budget 2005-06

- Actual earnings and expenditures are still unknown
- Staff is working hard
- CUIAB's budgetary process is continuously being refined
 - Improve communications with EDD
- Decisions are made with input from every Branch as budget decisions impact all employees